



# ***MANUFACTURER PRICING AGREEMENTS***

## ***OVERVIEW***

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# *Agenda*

- **MPA Overview**
- **Frequently Asked Questions**
- **Questions?**
  
- **MPA Workshop directly following this presentation**



# *MPA OVERVIEW*

## *MPA definition*

- MPAs are agreements between DSCP and manufacturers to set FOB Origin /point of manufacture “pricing” for products used with the Subsistence Prime Vendor program for OCONUS Prime Vendor distributor contracts
  - Product price changes will be no more frequent than monthly
  - Price changes will be effective the first Monday of any given month



# *MPA OVERVIEW*

## **FOB Point**

- FOB Origin / point of manufacture is a Company's established FOB Point(s)
  - Manufacturer's plant
  - Manufacturer's distribution warehouse
- Not freight consolidator for DSCP OCONUS Prime Vendor Contractor



# MPA OVERVIEW

## Contract Pricing Language

*(general terms, see individual solicitations for exceptions or additions)*

- **Product Price:** Quote new OCONUS solicitations
  - “The product price will be derived in one of two manners for this solicitation: 1) through the use of DSCP’s Manufacturers Price Agreements (MPAs); or 2) through the use of commercial pricing. **When a DSCP MPA is available, the MPA price shall be used for the product price. When a DSCP MPA is not available, the Product Price shall be limited to the original manufacturer’s or grower’s price for product.** The Product Price shall be based on FOB Origin/Point of Manufacture. In addition, the Product Price shall exclude all costs that are required to be covered in the distribution price, including but not limited to, all transportation, broker and dealer costs and fees; and it shall exclude all costs that are required to be covered in the distribution price.”



# MPA OVERVIEW

## ***Contract Pricing Language***

*(general terms, see individual solicitations for exceptions or additions)*

- **Distribution Price:** general language in all new OCONUS solicitations
  - defined as a firm fixed price and offered as a dollar amount, which represents all elements of the unit price, other than the product price
  - includes the PV's projected general and administrative expenses, overhead, profit, packaging/marketing/labeling costs, all Non Point of Manufacturer fees (CONUS and OCONUS Broker, Dealer, Subcontractor and Fresh Fruit and Vegetable Consolidation Point fees) including, but not limited to procurement, storage, consolidation, pallets, palletizing and distribution work
  - shall remain fixed for the base period of the contract, and is subject to any agreed option period adjustments
  - excludes DTS Ocean Shipping Costs



# *MPA OVERVIEW*

## ➤ Who?

- MPAs are available to any manufacturer or private label holder
- Between DSCP and manufacturer or private label holder

## ➤ Why?

- Allow DSCP & it's customers transparent visibility of the actual FOB Origin product price
- Allow DSCP to focus on distribution pricing in the Subsistence Prime Vendor contracts
- Transparency in product pricing will affect product selection in the future



# *MPA OVERVIEW*

## ➤ Where?

- In any contract with the delivered price definition stating FOB Origin / point of manufacturer pricing
- In OCONUS. There is no CONUS plan for MPA pricing

## ➤ When?

- The PV contract dictates when an MPA will be used
- MPA priced products shall be used when an MPA is available in a product category
- Manufacturers not obtaining an MPA for their products “may” have those products excluded from the Subsistence Prime Vendor catalogs





# *MPA OVERVIEW*

## ➤ How?

- When an MPA priced product is available the DSCP Subsistence Prime Vendor is required to use the MPA price
- NAPA discounts still apply in the OCONUS contracts if a NAPA Holder manufacturer does not have an MPA
- The DSCP LSN stock number is used for either the NAPA program or for the MPA, but not for both purposes at the same time on the same catalog



# Frequently Asked Questions

- 1. I've heard I don't have to obtain an MPA? Do I need an MPA?
  - DSCP answer:
    - Entering into an MPA is voluntary, and any company desiring one may obtain one, **but looking into the future the DSCP goal is to enforce the use of MPAs.**
      - Any company may choose to be a business partner of DSCP or not.
    - The OCONUS solicitations include the statement quoted below, and as a result:
      - The Prime Vendor contractor is required to use a supplier having an MPA if the product is selected by the Service's HQs or customer (either by specific brand or category).
      - When there is no MPA product available in a product category it is a given that non-MPA products may be used.

**“When a DSCP MPA is available, the MPA price shall be used for the product price. When a DSCP MPA is not available, the Product Price shall be limited to the original manufacturer’s or grower’s price for product.”**



# Frequently Asked Questions

- 2. If a company's products are already "hard speced" by the Service HQs, what's that company's motivation to obtain an MPA?
  - DSCP Answer:
    - It begs the obvious question "why a manufacturer would not disclose it's product price to the government?"
    - The new Prime Vendor solicitations stipulate that MPA products are required to be used in lieu of non-MPA products
      - DSCP is approaching the Service's to consider selecting MPA products, and in the longer term to require the use of MPA products.
  - Advantages to such a Company include:
    - That Company's FOB product pricing will become transparent via the MPA to the Military Food Service decision makers.



# Frequently Asked Questions

- 3. Will a Company's unwillingness to enter into an MPA affect the Service HQs decisions on whom is "hard speced"?
  - DSCP Answer: Not immediately, but will in the future as discussed in FAQ #2
- 4. It's been stated that manufacturers not obtaining an MPA for their products "may" have those products excluded from the DoD catalog. What does that mean to those suppliers choosing not to obtain an MPA ?
  - DSCP Answer: The eventual goal is to require use of MPA products and where an MPA or MPAs are available for like products the MPA Holder's products will be used. Normally those choosing not to obtain an MPA will have their products used when there is no MPA available at all.



# Frequently Asked Questions

- 5. My Bracket/Tier is based on individual order quantity, how do I give DLA one price?
  - DSCP Answer:
    - The most common concept of tier pricing is “delivered pricing”. The FOB Origin pricing should be relatively consistent.
    - Companies must estimate their total OCONUS sales volume and fit the DSCP pricing appropriately.
- 6. What if my Bracket/Tier estimates are inaccurate and it's affecting my bottom line?
  - DSCP Answer: Changes to the MPA “agreement” specifying Bracket or Tier may be renegotiated with the MPA Contracting Officer.
- 7. How do I charge PV or consolidator for freight and special OCONUS costs, such as special unitization?
  - DSCP Answer: Deliveries to PV/Consolidator are invoiced as normal, or otherwise as specified by them.



# Frequently Asked Questions

- 8. Since the MPA price is determined “Fair & Reasonable” will it be re-determined when added or changed on a PV catalog?
  - DSCP Answer: Both the contracting officers for MPAs and PV will exercise due diligence when reviewing pricing.
- 9. Do I have to disclose my cost models in the MPA, they are proprietary?
  - DSCP answer: DLA is requesting “pricing method” not product costing.
- 10. What is the price auditing procedure specified in paragraph 1.(f.) of the MPA?
  - DSCP Answer:
    - The audit procedure is to review documentation from the MPA Holder demonstrating the prices offered were in accordance with the Company’s method as stated in their MPA representation as required in MPA paragraph 1.(f)
    - The elements of that are audit are dictated by each company’s stated pricing method



# Frequently Asked Questions

- 11. Is DSCP requesting access to proprietary information in a price audit? “documentation from the MPA Holder demonstrating DSCP’s price is equal to or lower than the company’s established tier, bracket, or other method of pricing employed for like or similar customers as DSCP.”
  - DSCP Answer:
    - NO. But if you say the only way for DSCP to verify your company’s offered pricing is to review your proprietary cost models, review of those models will be requested.
    - Any proprietary costing information will be retained by DSCP.
- 12. I heard NAPA discounts are going away?
  - DSCP Answer: No.
    - NAPA discounts will continue to apply in the new OCONUS contracts when a NAPA Holder does not have an MPA.
    - NAPA discounts do not apply when the NAPA Holder is an MPA Holder for those products under their MPA.
      - An MPA holder must have all their product SKUs used in OCONUS under their MPA agreement.
    - NAPA discounts still apply to apply to all CONUS contracts



# Frequently Asked Questions

- 13. Is my pricing data releasable?
  - DSCP Answer: Pricing data may be released under Freedom of Information Act requests, as it is today
- 14. I've heard that the socioeconomic status of a broker ("small business") reselling products from large businesses may be counted by the DSCP Subsistence Prime Vendor contractor as a small business purchase and counted against their small business goals as such?
  - DSCP Answer: No. This is inaccurate. The DSCP Subsistence Prime Vendor contract specifies under Socioeconomic Considerations, Socioeconomic Goals Note 1. ***"When calculating figures for socioeconomic goals, the business size of the manufacturer is to be considered. NOT the business size of the broker/agent that may have supplied the product to the distributor."***
- 15. My products are military unique. They are not commercially priced?
  - DSCP answer: If you say so? Then the pricing must be justified by some other manner as done by your company today.





# Frequently Asked Questions

- 16. How will DSCP be able to maintain the integrity of the MPA system given the likely very large volume of price changes each month?
  - DSCP Answer: Realizing the potential volume of transactions;
    - Unlike the manual system used in the NAPA program to manage a few hundred discount changes each quarter, the MPA price changes are submitted electronically by each MPA Holder and uploaded into DSCP's mainframe
    - Reporting of monthly price changes will be sent electronically to the OCONUS Prime Vendors, virtually identically as the NAPA updates.
- 17. Under what circumstances will DSCP accept MPA destination pricing?
  - DSCP Answer: DSCP will accept destination pricing if a company's only business practice is a National Delivered price for all its commercial and government accounts, and it is a single price. Other situations will be on a case by case basis.



# Frequently Asked Questions

- 18. Why the requirement for an MPA if a manufacturer does not sell directly to an OCONUS Prime Vendor?
  - DSCP Answer:
    - Whom is purchasing, acting as the Prime Vendor's agent or intermediate supplier is not germane to a manufacturer's FOB Origin pricing or how PV products are selected.
    - Avoidance of unnecessary brokers fees is desired by DSCP.
- 19. Will DSCP be directing the Subsistence Prime Vendor contractors to select products based on lowest price?
  - DSCP Answer:
    - Price transparency will make pricing more important in the future and will affect product selection decisions
    - The Services still select the products they desire and DSCP will continue to exercise its due diligence concerning F&R pricing and other contractual terms
    - Apparent large price differences for like products will be brought to the attention of the Military Services HQs
- 20. Can just any manufacturer obtain an MPA?
  - DSCP Answer: MPAs are open to any manufacturer or private label holder.



- 21. Many companies use co-packers instead of their own production plants. Is DSCP requiring the costs of the co-packer arrangements or contracts be divulged?
  - DSCP Answer: No.
    - DSCP understands many companies use co-packers.
    - Similarly DSCP understands Private Label holder arrangements
- 22. Is the MPA price I offer to be a net/net price with all rebates and discounts subtracted, including the NAPA allowance?
  - DSCP Answer: Yes
- 23. Where do I find a listing of MPA Holders and a catalog listing of those MPA products?
  - DSCP Answer: The Holder listing and interactive catalog query will be on the Subsistence Food Services web page at the “MPA, NAPA, Pricing” link identical to the current links you are familiar with for the NAPAs
  - Manufacturer pricing is not displayed on the links or queries



# Questions & Answers

